

**DELEGATED REPORT OF THE GROUP DIRECTOR, CLIMATE, HOMES AND ECONOMY**

**AUTHORITY TO APPOINT THE CONTRACTOR FOR THE PRE-CONSTRUCTION SERVICES AGREEMENT FOR COLVILLE ESTATE PHASE 2C**

**MEETING DATE**

5 December 2022

**CLASSIFICATION:**

**Open with Appendix 1  
and Exempt Appendices 2 and 3**

**If exempt, the reason will be listed in the  
main body of this report.**

**WARD(S) AFFECTED**

Hoxton East and Shoreditch

**REASON**

Spending

**GROUP DIRECTOR**

Rickardo Hyatt, Group Director, Climate, Homes and Economy

## **1. SUMMARY**

- 1.1 The Council's Estate Regeneration Programme (ERP) was first approved by Cabinet in July 2011. The Cabinet report outlined the Council's approach to the development of a strategy for the delivery of high quality new build housing and improved living standards across a number of housing estates in the borough. The programme was updated and approved by Cabinet in March 2014 and again in October 2015. A further update to the programme was agreed in April 2019. The Colville Estate regeneration programme in Hoxton East and Shoreditch ward is one of the developments in the Council's ERP.
- 1.2 Colville Estate Phase 2C is the second and final part of Phase 2 of the Colville Estate regeneration masterplan which secured outline planning approval in 2012 (Planning Reference: 2012/0734). The original scheme design for Colville Phase 2 was submitted for reserved matters approval to the Local Planning Authority (LPA) in August 2012 as a single planning application for the whole of Phase 2. The application received reserved matters approval in November 2012.
- 1.3 There are up to a further four phases of the Colville Estate regeneration that will require reserved matters planning approval at future dates. As each phase of the regeneration programme is progressed, existing residents are offered rehousing in the new build homes on the estate. For the phases completed this has meant that over 50% of the residents have had to move on a temporary basis to alternative properties, while the new homes were being built on the existing sites of their former homes. For future phases, including Phase 2C, a 'double decant' will not be required, and residents will be able to move directly into the new homes built.
- 1.4 The approved masterplan provides for 884 new homes to be built across the Colville Estate, with Bridport House, containing 41 social rent homes, having been completed in 2011 prior to the approval of the overall regeneration programme for the estate. Over the course of the regeneration of the Colville Estate, 935 new homes will be built, of which at least 50% will be genuinely affordable homes for social rent and shared ownership/shared equity. In addition, the overall regeneration of the Colville Estate will enable significant estate-wide public realm improvements, new retail facilities, a new community centre and an energy centre to be delivered.
- 1.5 The original intention was to build out Colville Estate Phase 2 as a single contract with one contractor building 209 new mixed tenure homes, three retail units, a new community centre and an energy centre serving the whole of the Colville Estate, with the ability to provide energy to neighbouring sites such as the Britannia leisure centre redevelopment. Phase 2 was subsequently divided into two sub-phases for delivery purposes, to enable a phased decant of residents that minimised the number of households being disturbed from having to move twice, and in order to retain the existing retail

units on the estate until such time as the retailers could move into the new units in the first of the two sub-phases. Phase 2A&B, the first of the sub-phases comprising 116 mixed tenure homes, was completed in February 2019.

- 1.6 The second sub-phase, Phase 2C, was originally envisaged to proceed as soon as Phase 2A&B was completed and residents had moved from the existing blocks that would comprise the Phase 2C site into the new homes. However, due to the passage of time it was agreed with the Colville Estate Tenants and Residents Association (CETRA) that there should be an opportunity to review the homes built in the Phase 2A&B scheme, along with obtaining feedback from the residents who had moved into the new homes, and incorporate improvements, where possible, to the new homes in the Phase 2C scheme.
- 1.7 There was, in addition, the recognition that updated statutory and regulatory changes would require a review of the energy centre proposals, part of Colville Phase 2C, to provide a low carbon solution for the estate. Therefore, a re-assessment of the energy strategy for the consented scheme was required as part of the design review that was commissioned. This was concluded with the submission of a Section 73 (S73) application, a Minor Material Amendment to the approved scheme, in May 2021.
- 1.8 The S73 application has required a new Unilateral Undertaking for the Colville Estate to be completed, for which approval is expected in August 2022, following the recommendation for approval received from the Planning officer.
- 1.9 The development, once completed, will provide 93 much-needed mixed tenure homes and will contribute to assisting with the current shortage of affordable housing in the borough. Colville Estate Phase 2C will also support substantial improvements to the public realm on the estate including a shared garden for the new community centre, contributing to the Council's commitment to making Hackney a child-friendly borough, as well as providing high quality public realm for people of all ages.
- 1.10 The report prepared for the July 2021 Cabinet Procurement and Insourcing Committee (CPIC) set out in detail the two stage procurement strategy and background to Colville Estate Phase 2C (Key Decision CE R66).
- 1.11 CPIC approved the business case for the selection of the Pre-Construction Services Agreement (PCSA) contractor for Colville Estate Phase 2C, as set out in the report: to undertake procurement for the PCSA contract by way of a mini competition from Lot 12 of the Procure Partnerships Framework and delegate the authority to the Group Director, Chief Executive's Directorate, where required, and in consultation with the Group Director of Finance and Corporate Resources, to award the PCSA contract for Colville Estate Phase 2C.

- 1.12 Following the reorganisation of the Council's senior leadership team, effective from 1 February 2022, including transfer of the Regeneration function to the Climate, Homes and Economy Directorate, the delegated authority to award this contract now rests with the Group Director, Climate, Homes and Economy, in consultation with the Group Director of Finance and Corporate Resources.
- 1.13 Approval to appropriate the land at Colville Estate Phase 2C for planning purposes was resolved by Cabinet on 20 June 2016.

## **2. RECOMMENDATIONS**

**In accordance with Key Decision CE R66, this Delegated Powers Report recommends that:**

- 2.1 The Group Director, Climate, Homes and Economy, in consultation with the Group Director of Finance and Corporate Resources, approves entering into a Pre-Construction Services Agreement (which may include but is not limited to enabling works, demolition, surveys, utilities) for Colville Estate Phase 2C to Bidder B as set out in Exempt Appendix 1.**
- 2.2 Subject to the the award of contract in 2.1 above, the Director of Legal, Democratic and Electoral Services agrees to enter into the JCT Pre-Construction Services Agreement 2016 and any other ancillary legal documentation relating thereto with Bidder B at Colville Estate Phase 2C, and the Director of Legal, Democratic and Electoral Services shall prepare, agree, settle and sign the necessary legal documentation to effect the proposals contained within this report and Exempt Appendices 1 and 2.**

## **3. REASONS FOR DECISION**

- 3.1 This report outlines the process that has been followed in selecting a preferred contractor for the PCSA for Colville Estate Phase 2C.
- 3.2 The parcels of land to be developed at Colville Estate Phase 2C are currently occupied by existing residential blocks and an area of the estate that was cleared in 2015. Demolition of the existing buildings will be undertaken by the contractor appointed for the Phase 2C development.
- 3.3 The regeneration of Colville Estate Phase 2C represents the opportunity to complete the delivery of the Colville Estate Phase 2 development, and, as a multi-phased project, will help to unlock future phases. The Colville Estate energy centre will be delivered as part of Phase 2C. This element of the development is a requirement for the regeneration masterplan, and will

supply energy to all phases of the new Colville Estate, as well as the Britannia project.

- 3.4 The main works contract for Colville Estate Phase 2C requires the successful contractor to deliver:
- 52 social rented homes;
  - 19 shared ownership homes;
  - 22 outright sale homes;
  - a new community centre;
  - an energy centre for the Colville Estate regeneration and neighbouring Britannia masterplan development; and
  - associated public realm and landscape works including improved facilities for play and recreation.
- 3.5 Authority to award the PCSA contract for Colville Estate Phase 2C by delegated powers was sought in order to ensure that the Council meets the construction deadlines for the Mayor of London's Building Council Homes for Londoners: Affordable Homes Programme. The construction programme has since altered, but nevertheless it is important that the PCSA contract is awarded as soon as possible in order to secure the best value price for the main works.
- 3.6 The Council will act as developer for the outright sale and shared ownership homes at Colville Estate Phase 2C, marketing and disposing of the properties in line with the Council's approved Sales and Marketing Framework.
- 3.7 A market review and marketing strategy will be produced for the sales homes within Phase 2C, with authority to proceed to market properties delegated to the Group Director of Climate, Homes and Economy and Group Director of Finance and Resources.
- 3.8 A pre-tender cost plan estimate was prepared for the Council by its external Quantity Surveyor (QS), setting out the estimated costs of construction, based on the pre-tender stage estimate and designs developed to RIBA Stage 3+. The pre-tender costs pertaining to the PCSA, on which the tender cost submissions were based, are set out in Exempt Appendix 1.
- 3.9 It is recommended that the Council enters into a Joint Contracts Tribunal (JCT) PCSA 2016 contract with Hackney Council agreed amendments with Bidder B.
- 3.10 As part of the tender process, contractors were asked for their options for innovation, which will include an element of cost reduction and removing risk. This will provide the opportunity for added value to the Council, as the preferred contractor from the first stage procurement develops the detailed design and provides tendered packages of works for consideration.

#### **4. DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

- 4.1 The pre-tender estimate for the works is above the UK procurement threshold for works of £5,336,937 and is therefore subject to the Public Contracts Regulations 2015 (PCR2015). A number of procurement routes were considered, such as an Open Procedure, Restricted Procedure and a Competitive Procedure with Negotiation, but were ultimately rejected in favour of a two stage tendering process due to the size and complexities of the Colville Estate Phase 2C project. It was considered better suited to a two stage tender process, where the contractor is procured earlier in the process and can bring their expertise and knowledge to resolving the more complex issues related to the scheme delivery before the construction takes place.
- 4.2 Using an EU legacy compliant framework with large sized building contractors was considered a favourable option given the potential to reach a good number of suitable contractors for this development. A range of EU legacy compliant Frameworks were reviewed with the Council's Employer's Agent (EA) and Procurement Services.
- 4.3 Four frameworks were selected for soft market testing. The results were positive, with the widest range of suitable contractors on the Procure Partnerships Framework, Lot 12, interested in the two stage tender route.
- 4.4 The procurement strategy was agreed by CPIC in July 2021 (Key Decision CE R66) to proceed with Lot 12 of the Procure Partnerships Framework as the most suitable procurement route for Colville Estate Phase 2C on a two stage tender basis.

#### **5. PROCUREMENT PROCESS AND EVALUATION**

##### **5.1 Tender process - first stage**

- 5.1.1 The two-stage tender process required the issue of the entire suite of Pre-Contract Documents, Contract Documents and draft Employer's Requirements at the first stage.
- 5.1.2 At return of the first stage tender, bidders were asked to confirm that they would comply with the terms of the Pre-Contract Documents and Contract Documents, and that they would broadly meet the requirements of the Employer's Requirements, which would be developed during the second stage under the PCSA.
- 5.1.3 A PCSA and the Design and Build Contract 2016 issued by the Joint Contracts Tribunal and incorporating the London Borough of Hackney agreed schedule of Contract Amendments are being used. The full suite of documents forming Hackney's New Build Design Specification Version 5,

initially dated October 2017 with updates, is included as an Appendix to the Employer's Requirements.

- 5.1.4 In accordance with the criteria contained in the Invitation to Tender document, the tendering contractors were required to submit a series of qualitative and quantitative documents. This enabled the Council to take account of both quality and price in order to ascertain the most economically advantageous tender. The bidders submitted method statements and details for the PCSA period and the master construction programme; project delivery; site logistics; design team and maintaining integrity of design; sustainability and social value; community engagement; local employment and skills training; quality control and the London Living Wage.
- 5.1.5 The procurement route undertaken for the Colville Estate Phase 2C contract was by way of a mini competition from Lot 12 of the Procure Partnerships Framework, inviting the five contractors who had previously expressed an interest through the soft market testing exercise to submit tenders for the PCSA.

#### **Price and energy centre considerations**

- 5.1.6 At the point of issuing tenders, the Council had not determined whether it would progress with a requirement for the Colville Estate Phase 2C Contractor to provide a shell and core for the energy centre for an Energy Services Company (ESCO) to fit out within its programme and coordination; or whether it would require the Contractor to fit out the Energy Centre and offer the associated works for adoption by an ESCO. To allow some flexibility as this decision is being determined, tender returns were split into two parts:
- Option A (including Colville 2C Contractor Energy Centre fit-out); and,
  - Option B (excluding Colville 2C Contractor Energy Centre fit-out).
- 5.1.7 For each Option (Option A and Option B), the bidder's Preliminaries, Design and Build (D&B) Risk, Overheads and Profit would be applied to the net build costs provided in the Invitation to Tender by the QS to form the estimated contract sums (the Bid Prices).
- 5.1.8 It was identified that the lowest Bid Price would score the full weighting. The other offers would then receive scores expressed as an inverse proportion of the lowest price. All results would be rounded to two decimal places:

$$(\text{Lowest price/Bidder's price}) \times \text{weighting} = \text{Bidder's price score}$$

The tenders were evaluated on the basis of 60:40/quality:price. The criteria for assessing the pricing element of the tenders were set out as follows:

Option	Maximum available % points
Option A (including energy centre fit-out): Preliminaries Cost, D&B Risk, Overheads and Profit	20%
Option B (excluding energy centre fit-out): Preliminaries Cost, D&B Risk, Overheads and Profit	20%

5.1.9 The financial information submitted in the Pricing Document was assessed and benchmarked against the Build Cost Information Service (BCIS) indices by the QS, to verify the details of the tender, interrogate the financial figures submitted and examine the assumptions made.

5.1.10 The Evaluation Panel for the tender process comprised:

- Project Manager, Regeneration (LBH);
- Project Officer, Regeneration (LBH);
- Head of Strategic Design, Regeneration (LBH);
- Regeneration Employer Engagement Officer (LBH);
- Employer's Agent and Principal Designer (calfordseaden LLP, acting on behalf of the Council);
- Quantity Surveyor/Cost Consultant (calfordseaden LLP); and
- Members of the Colville Estate Tenants and Residents Association Steering Group.

5.1.11 Three representatives of CETRA took part in the evaluation process. Following a procurement training session organised by the Project team to provide background information, guidance and examples of model answers to reference in the evaluation process, the CETRA members reviewed, scored and evaluated three of the quality questions: Sustainability and Social Value, Local Employment and Training, and Community Engagement. They also participated in the moderation process, providing a single moderated score for CETRA.

5.1.12 The procurement process was managed and coordinated by the Council's Procurement team. Legal Services (Procurement and Property Solicitors) and the Insurance team provided advice to the Evaluation Panel.

#### Invitation to Tender

5.1.13 The Invitation to Tender (ITT) documents were published on the e-tendering portal, ProContract, on 3 December 2021 to all interested contractors on the Procure Partnerships Framework Lot 12. Contractors were required to submit bids by 10 February 2022. The ProContract reference is DN583339.



- 5.1.14 Visits took place on 11 and 12 January 2022 to enable the potential bidders to walk around the Colville Estate with the Project team and EA, and to ask questions. Each bidder was given an allotted time to ensure confidentiality of the potential bidders. All five bidders attended a site visit.
- 5.1.15 The Council's Project team coordinated tender communications through its tendering portal, with the EA team providing information for distribution as required.
- 5.1.16 During the tender period, a total of 141 clarification logs were issued to bidders via ProContract, responding to their queries. This included a list of 64 clarifications to queries raised during the bidders' days. These logs are contained in Exempt Appendix 1 to this report.

#### Tender Evaluation

- 5.1.17 Five bids were received by the deadline and, after review by the EA, were deemed compliant and were fully evaluated.
- 5.1.18 The tenders were evaluated on the basis of 60:40/quality:price.
- 5.1.19 Following the submission of bids, post tender clarifications were raised by the EA and QS with bidders via ProContract, to clarify any errors in the tenders submitted or any apparent inconsistencies prior to the evaluation process. A total of 41 post-tender clarifications logs were also issued. These logs are contained in Exempt Appendix 1.
- 5.1.20 All bidders provided qualifications to the tendered contract terms for the JCT PCSA and/or D&B contract and/or Employer's Requirements. After review with the Legal Services, Procurement and Insurance teams, a response was issued on ProContract to all bidders on 19 May 2022, setting out the Council's position and identifying where it was willing to consider some of the requested changes to respond to market conditions at the time. All bidders replied to the Council's position on contract terms, with the preferred bidder accepting the proposed position. Further details are included in Appendix 1.

#### Quality Evaluation - 60%

- 5.1.21 For the quality element of the tender, bidders were required to set out responses addressing the following criteria:
- Programme: PCSA works programme and indicative construction programme;
  - Project team and management;
  - Opportunity and risk register;
  - Project delivery and site logistics;
  - Sustainability and social value;
  - Community engagement;

- Local employment and training;
- Quality control; and
- Commitment to paying the London Living Wage (pass/fail criterion).

5.1.22 Quality responses were evaluated by the panel and scored 0-5 based on the scoring methodology set out in the tender documentation.

The scoring criteria were set out as follows:

Score	Commentary
0	Very weak or no answer
1	Poor - well below expectations
2	Satisfactory but slightly below expectations
3	Good – meets expectations
4	Very good - slightly exceeds expectations
5	Exceptional - well above expectations

The scores were moderated over three meetings chaired by the Procurement team, and the final scores reached.

#### Price Evaluation - 40%

5.1.23 The tender prices submitted, for the Overheads, D&B Risk, Profit and Preliminaries at the first stage of the procurement, were scored using the published pricing evaluation methodology, whereby the lowest priced bid achieved the highest score, with the other prices scored relative to the highest scored price. It had been agreed at the time of issuing the tender documentation that there would be two options for the provision of the energy centre included for pricing purposes:

- Option A - including the contractor fitting out the energy centre; and
- Option B - excluding the contractor fitting out the energy centre.

Each of the options was allocated 20% of the price score, and then combined for evaluation purposes.

5.1.24 The prices were also assessed against the pre-tender estimates that had been prepared by the EA and QS.

5.1.25 To conclude the evaluation process the overall scores achieved by each submission were based on the combined scores for quality and price.

### Post Tender Clarifications to achieve Cost Optimisation:

- 5.1.26 The bidders were asked to identify possible cost savings and programme optimisation opportunities within their bids. Although this element and response were not scored, the details will be explored further with the successful bidder during the PCSA period to ensure that the project is delivered within the agreed budget and any potential efficiencies can be included.

## **5.2 Recommendation**

- 5.2.1 A summary of the quality and price scores for each tender, and the respective total overall scores are set out in the table below:

	Quality (60%)	Price (40%)	Total (100%)
Bidder A	30.6	40	70.6
Bidder B	45	38.1	83.1
Bidder C	25.8	36.3	62.1
Bidder D	41.4	39.2	80.6
Bidder E	35	37.1	72.1

- 5.2.2 Bidder B achieved the highest score overall and is therefore the preferred tenderer, as their bid was deemed to be the Most Economically Advantageous Tender.
- 5.2.3 On the basis of the above scores it is recommended that the contract for the PCSA at Colville Estate Phase 2C is awarded to Bidder B.

## **5.3 Second stage of the tender process**

- 5.3.1 During the second stage of the tender, the preferred contractor will enter into the PCSA, along with a Tendering Protocol, a draft of which was provided as part of the ITT. The Tendering Protocol requires the contractor to procure a minimum of 80% of the net build cost (trade packages) to a minimum of three sub-contractors on an open book basis, with the remaining 20% anticipated to be made up of services/statutory authorities' costs which cannot be procured competitively or through contractors' estimates. As part of the first stage tender process, the contractor has undertaken to meet the objectives of the Protocol that require design and development of the Colville Phase 2C scheme, site investigation works, liaison with statutory authorities and procurement of the works.
- 5.3.2 At conclusion of the second stage process under the PCSA, and subject to validation from the QS that compliance with the obligations of the Tendering Protocol have been demonstrated and value for money has been evidenced for the procurement of the trade packages, the Employer's Requirements will be updated to reflect the agreed contractor proposals. At this point, the

contractor will apply its Preliminaries, D&B Risk, Overheads and Profit from the first stage tender process to the agreed net build cost to form the costs for the lump sum building contract.

- 5.3.3 Approval will be sought to enter into the JCT Design and Build Contract 2016 with Hackney approved amendments in line with the Key Decision CE R66: that is, to agree to delegate the approval of the Contract Award for the Design and Build Contract to the Group Director, Chief Executive's Directorate (Group Director, Climate, Homes and Economy), where required, and in consultation with the Group Director of Finance and Resources, and subject to the Award of Contract to authorise the Director of Legal (Director of Legal, Democratic and Electoral Services) to agree and enter into all necessary legal documentation in relation thereto.

## 5.4 Key milestones

### 5.4.1

<b>Key Milestones</b>	
Report to CPIC (procurement approach)	19 July 2021
Issue Tender	3 December 2021
Bidder site visits	11 and 12 January 2022
Tender returns (1st stage)	10 February 2022
Tender Evaluation (1st stage)	February to May 2022 (including clarification and negotiation meetings if required)
Tender Report	July 2022
Delegated authority report (PCSA) considered by Group Directors	August 2022
Standstill period	10 days after tenderers are informed of the outcome
Report on award of PCSA reported to CPIC for information	September 2022
Finalise second stage tender response	January 2023
Delegated authority report (2nd stage) considered by Group Directors	February 2023
Report on award of contract (2nd stage) reported to CPIC for information	March 2023
Start on site (demolition) / Contract start	March 2023

## **6. POLICY CONTEXT**

- 6.1 The regeneration of housing estates and their wider neighbourhoods is a key objective of the Council. In 2015/16, the Council carried out a borough-wide consultation exercise, 'Hackney a Place for Everyone'. Key findings from the consultation suggested the Council needs to build more social housing and more 'genuinely affordable housing'. There was a strong value placed on community cohesion and a desire to encourage social mixing. This was followed in November 2017 by Cabinet approving 'The Hackney Housing Strategy 2017 - 2022', which set out a new approach to building genuinely affordable housing through the Council's ambitious house building programme and building mixed sustainable communities.
- 6.2 The Colville Estate remains part of the Estate Regeneration Programme and the Council's wider plans to continue delivering much-needed new Council homes. These will add to the almost 1,500 new homes started or completed between May 2018 and May 2022, more than half of which were for social rent, shared ownership and Hackney Living Rent.
- 6.3 The Council's Sustainable Community Strategy 2018-2028 has five priorities, and the Colville Estate Phase 2C development assists in meeting those priorities in the following ways.
- 6.4 The first priority is centred around creating an area where everyone can enjoy a good quality of life and where the whole community can benefit from growth. The Colville Estate Phase 2C development will include a mix of homes with differing levels of affordability, which caters to all ages and accommodates people's changing needs over time.
- 6.5 In line with the second priority, the construction of Colville Estate Phase 2C will create jobs, training and apprenticeship opportunities for local people, which will allow residents and businesses to fulfil their potential and enjoy the benefits of increased prosperity.
- 6.6 In line with the third priority, the designs for the Colville Estate Phase 2C development are centred around creating a greener and more environmentally sustainable community, for example through the provision of high quality public realm and landscaping, which contributes to enhancing biodiversity. The energy centre included in this phase of the Colville Estate regeneration will reduce carbon emissions through the use of air-source heat pump technology, thereby contributing to the third priority of the strategy: a greener and environmentally sustainable community which is prepared for the future.
- 6.7 The fourth priority of creating an open, cohesive, safer and supportive community will be achieved through the provision of improved landscaping and new play areas as part of the development; as well as offering employment and training opportunities during the construction phase, for

example local labour, apprenticeships, and Hackney 100 placements. The scheme also includes a new community centre that will provide modern facilities for activities and groups for estate residents and the local area.

- 6.8 The proposed improvements to the public realm will help create a healthy and safer neighbourhood which is pedestrian, cyclist and child friendly to support the fifth priority relating to promoting healthy and active residents.
- 6.9 Hackney's Local Plan 2033 (LP33) seeks to maximise opportunities to supply genuinely affordable housing on new developments, subject to viability and site context. The development of Colville Estate Phase 2C will contribute to delivering the Council's aspirations to make best use of Council land by building new social rented and low-cost home ownership homes, enabling the Council to better meet the housing needs of the local community and contribute towards the delivery of more genuinely affordable housing, supporting the objectives of LP33.

## **7. EQUALITY IMPACT ASSESSMENT**

- 7.1 The shortage of affordable housing is a significant issue within Hackney, with 3,000 households living in temporary accommodation and nearly 8,000 on the housing waiting list. Of the new homes to be built in Colville Estate Phase 2C, 76% will be genuinely affordable - 52 social rented and 19 shared ownership homes - and will therefore contribute towards meeting some of this housing need.
- 7.2 The Estate Regeneration Programme proposes to build new mixed communities that are better integrated with their surrounding areas and have well designed homes, improved community facilities, and safer, more attractive environments, thus enhancing the quality of life of many residents, which supports the borough in meeting its Public Sector Equality Duty.
- 7.3 The Council is committed to building new homes that are adaptable to the varying needs of occupiers over time and that will enable people to live independently in their homes for longer. The housing mix for Colville Estate Phase 2C has been considered in line with the housing needs of the Colville Estate regeneration programme and will rehouse residents in the next phase of the redevelopment, together with some residents from the following phase. There will be a proportion of wheelchair adaptable homes which will be allocated on the basis of housing need.
- 7.4 The shared ownership and outright sale homes will be marketed in line with Hackney's Sales and Marketing Strategy which gives priority to those who live and/or work in the borough.

## **8. SUSTAINABILITY & SOCIAL VALUE**

### **Procuring green**

- 8.1 The Colville Estate Phase 2C scheme will provide high quality housing, a new community centre and energy centre for the estate and neighbouring Britannia materplan development, as well as new and improved landscaping and public realm, enhancing the ecological value and biodiversity of the site. The scheme also aligns with Hackney's Transport Strategy and TfL's Healthy Streets Indicators, aiming to prioritise walking and cycling, providing safe environments with opportunities for play, shade and shelter, and to rest in a clean environment.
- 8.2 The development will be car-free, apart from existing residents who are rehoused into Phase 2C and who currently have existing permits to park on the estate, with substantial provision of cycle parking and electric vehicle charging points. In addition, the project will be delivering new and upgraded attractive pedestrian routes across the estate.
- 8.3 The new buildings for Colville Estate Phase 2C will provide high quality, energy efficient homes that meet current regulatory requirements relating to sustainability including Building Regulations, the Mayor's London Plan and the Council's Housing Supplementary Planning Guidance. The new energy centre to be provided in Phase 2C has been designed with Air Source Heat Pumps (ASHP) to achieve the required energy levels in accordance with current London Plan energy targets, and to support the transition from fossil fuels to renewable energy.
- 8.4 During the demolition and enabling works, the soil on the site will be tested for contamination and remediated appropriately.
- 8.5 The recycling of construction waste and the development of a Site Waste Management Plan are mandatory, and the preferred contractor has committed to minimising construction waste as much as possible.
- 8.6 The contractor will be obliged to minimise construction related disruption, for example dust nuisance, to residents and other neighbouring buildings.
- 8.7 A Construction Management Plan covering construction traffic management, noise, dust and vibration will be discussed during the PCSA period with the preferred contractor and CETRA, and submitted to the LPA. It will require approval prior to the works commencing.

### **Procuring for a better society**

- 8.8 The preferred contractor will be required to provide local training and employment opportunities, including apprenticeship and work experience placements, disability internships, and a commitment to work with our

Sector-based Work Academy Programme (SWAP) for which a number of Key Performance Indicators (KPIs) will be established. KPIs will be monitored regularly at site meetings. The contractor and EA will provide information that will form the basis of each score, which will be documented at each meeting. The contractor will be required to use reasonable endeavours to source materials from local suppliers and manufacturers, and will be encouraged to use small and medium sized businesses in its supply chain.

- 8.9 The appointed main works contractor will be required to provide a draft Employment and Skills Plan to the Council for approval prior to works commencing on site. They will also be required to prepare and implement an active programme for recruitment in order to achieve a local labour target of 25%. In line with the Unilateral Undertaking obligations, the contractor must employ at least one apprentice per £2 million of construction contract value. An option to price for meeting the aspiration of one apprentice per £1 million of contract value was included in the tender documentation so that a comparison could be made as part of the tender evaluation process. As part of the Colville Estate Unilateral Undertaking, a fee of £1,500 per apprentice will be payable to fund pre-employment recruitment and post employment mentoring and support.
- 8.10 The appointed contractor will be required to provide the Council with a local labour return for the scheme every three months during the construction phase, and must notify the Council of all vacancies for employees, self-employed, sub-contractors and any other form or type of employment or service arising from construction of the development to our Hackney Works team. The Council will endeavour to find suitable candidates to put forward for the roles within five working days unless otherwise agreed in advance. After such time vacancies can be filled through alternative channels.
- 8.11 The preferred contractor will be required to pay all employed staff and sub-contractors the London Living Wage for the term of the contract. This commitment was provided as part of the tender submission by the preferred contractor.

### **Procuring for fair delivery**

- 8.12 The tender documents that were issued to each bidder were identical, and each tenderer was given the same opportunity to review and respond. Tenderers submitted clarification questions through the bidding process. Where a clarification was not commercially sensitive, the clarification and the Council's response were anonymised and issued to all bidders. The clarification questions and replies are attached as appendices to the Tender Report which is attached as Exempt Appendix 1 to this report.
- 8.13 Each bidder was asked to comply with the Council's requirements with regards to the specification, local labour, employment and skills, and the Fair Payment Charter. The successful bidder is required to agree to the Council's



targets in these areas, including payment of the London Living Wage to all employees and their sub-contractor supply chain, and cooperation with Hackney Works to promote diversity in their workforce.

- 8.14 The preferred contractor will also be required to commit to stringent health and safety protocols on site plus any Covid-safe working practices which are required. The ITT included a question on the actions that the contractor would take to promote positive health and mental wellbeing for those working on the project and protect against the risks of possible harm. The preferred contractor will be monitored on their provision in these areas for employees.
- 8.15 KPIs will be agreed with the contractor and will be scored at agreed intervals during the construction period.

## **9. CONSULTATION/STAKEHOLDERS**

- 9.1 Extensive consultation has been undertaken with the relevant bodies representing residents and neighbouring buildings from and close to the estate, Ward Councillors and local residents. These have been in the form of public engagement events and meetings at various stages of the project prior to planning submission. Statutory consultation has also been undertaken as part of the S73 Planning application. Monthly consultation meetings take place with the CETRA Regeneration Steering Group to consult and provide updates on the regeneration programme for the Colville Estate.
- 9.2 Key stakeholders include:
- Estate residents, including those who will be moving into the Phase 2C homes;
  - Colville Estate Tenants and Residents Association;
  - Hoxton East and Shoreditch Ward Councillors;
  - London Borough of Hackney staff managing and maintaining the estate; and
  - Adjoining owners.
- 9.3 All new social rent homes in Phase 2C will be allocated to existing Colville Estate residents. These residents will predominantly be those who are currently living elsewhere on the estate in the existing blocks that will comprise Phases 4 and 5 of the Colville Estate regeneration programme. In addition, resident leaseholders in Phase 5 of the Colville Estate regeneration will have the opportunity to buy a property in Phase 2C under one of the rehousing options for leaseholders on regeneration estates as set out in the Council's Estate Regeneration Programme Leaseholder and Freeholder Options Document (October 2018). There will be no remaining resident leaseholders in Phase 4 of the Colville Estate requiring one of the rehousing options for Phase 2C.

- 9.4 Extensive consultation has taken place on the Colville Estate, initially for the masterplan planning application in 2011 and 2012, and subsequently for the individual phases of the regeneration, including the consultation for the Phase 2C design review and Section 73 planning submission in 2020 and 2021. Throughout this period, there was engagement with CETRA through the Regeneration Steering Group, as well as residents from the estate and local stakeholders from the neighbouring area. This included monthly steering group meetings over the period and monthly design meetings over the twelve months leading up to the submission of the Section 73 planning application for Phase 2C.
- 9.5 The Regeneration team met with CETRA, who are supported by Public Participation, Consultation and Research (PPCR), the Independent Tenant and Leaseholder Advisor for the Colville Estate, on a regular basis throughout the design review process for Colville Phase 2C. This was initially to consider the potential improvements that could be incorporated in the design as a result of feedback from the residents who had moved into the earlier Phase 2A&B properties, and later to review the design proposals as they were developed by the architects for Phase 2C.
- 9.6 Due to the Covid-19 pandemic, restrictions were in place throughout the resident consultation period for Phase 2C. Engagement was not possible on the usual basis of in person meetings and drop in events or exhibitions, but virtual meetings were held with CETRA on the design review on a monthly basis from September 2020 to June 2021. In advance of each meeting, the proposals to be discussed were sent to residents to enable them to view the drawings in preparation for the meetings. The architects also adapted their drawings to make them more user friendly for the virtual discussions taking place. These meetings enabled consultation on the proposed design changes to the previously agreed scheme and included specific meetings to review the landscaping proposals for Phase 2C and the new low carbon energy centre being provided. Feedback was incorporated in the design as it was developed for the Section 73 Planning submission.
- 9.7 Consultation events to obtain feedback from the residents who are going to be moving into the Phase 2C homes took place in November 2020, with an estate-wide consultation taking place in January 2021 for the public realm proposals to the Phase 2C area of the estate. Due to the pandemic, these events were also restricted to virtual consultation methods. CETRA and PPCR were consulted about the proposed methods of consultation, and provided invaluable suggestions which allowed the display materials and the feedback forms to be improved. A newsletter, advertising the proposed changes to the public realm and inviting comments through a feedback form, was distributed in January 2021. The newsletter also advertised that further information about the changes was available on the Council's website.

- 9.8 Six online workshops took place in November 2020, including one session for Turkish speaking residents, with a pack of information on the Phase 2C proposals being sent to all residents who are likely to be moving into the new homes being built in the next phase. Phone consultations were also offered to residents who were unable or did not wish to join online discussions. The key areas discussed were: flat layouts (open plan versus separate kitchen and living space), the balance between room sizes and the function of outdoor spaces. In total, 22 of the 52 residents who were invited to attend provided their comments.
- 9.9 At the estate-wide consultation events in January 2021, feedback was sought from residents on landscaping and public realm proposals for the scheme. A booklet, prepared by the architects and detailing the proposals, was sent to all residents on the estate, together with a questionnaire for the residents to provide their feedback. Three online consultation sessions, with a Turkish interpreter available for one of the sessions, were held to discuss the consultation documents and to obtain feedback on the proposed public realm improvements. The key themes of the discussion covered the relationship between public and private gardens and the landscaped spaces on the scheme, the introduction of semi and fully recessed balconies, the provision of CCTV as part of security measures and the importance of grounds maintenance for new planting and landscaped areas.
- 9.10 In summary, the residents who provided feedback through the consultation events were supportive of the proposals for Colville Phase 2C. Where possible, the suggestions for improvements were included in the Section 73 Planning submission.
- 9.11 Two consultation events were held on 24 and 26 June 2021 to allow residents to review proposed finishes to the new social rent homes and to provide feedback on proposed kitchen and bathroom colourways. The first of the two events aimed to provide a dedicated session for Turkish speaking residents, although all residents were welcome to attend both events. The Regeneration Project team, PPCR and the scheme architects, Karakusevic Carson Architects (KCA), were in attendance at both events to explain the information to the residents and to answer any queries they may have had. The feedback received informed the final options that were taken forward for design. These were published in the Summer 2021 Colville Estate Newsletter which was distributed estate-wide.
- 9.12 Key stakeholders were consulted within the Council, to discuss specific aspects of the proposed scheme. Comments made at these meetings have been incorporated into the design, where possible. These stakeholders included:
- Planning;
  - Highways;
  - Refuse and Recycling;

- Sales and Marketing;
- Energy and Carbon Management; and
- Housing Services.

9.13 The Regeneration team continues to consult with the CETRA Steering Group, including their involvement in the stage one procurement process for the preferred contractor, local residents and other key stakeholders through the key stages of the project.

## 10. RISK ASSESSMENT

10.1 In line with best practice, the Project team has a risk management plan for the project. It defines in detail the risk management process to be used, and the various activities together with those responsible for the application of the process. This is consistent with the requirements of the Council's risk management quality procedures. Potential risks to the project are identified, assessed, monitored and reported on a quarterly basis.

10.2 The following table sets out key risks and mitigations to the project:

Risk	Likeli hood	Impact	Overall	Action to avoid or mitigate risk
	L – Low; M – Medium; H - High			
The required contribution to the energy centre costs is not achieved	M	M	M	The Colville Project team is working with the Energy and Carbon Management Team, and other internal stakeholders such as the Britannia project team, to agree on the delivery mechanism and ongoing operation and management of the Colville energy centre. The Colville scheme will require some subsidy / contribution from outside the Colville project budget to deliver the energy centre as corporate infrastructure. If this is not possible, other planned and emerging developments within the area may be able to link to the energy centre and share the costs of its provision.

Tenders returned over budget	L	M	M	<p>The tender documentation package is thorough, concise and robust in order to minimise the risk of over pricing.</p> <p>If necessary, to achieve the agreed Cost Plan, value optimisation will take place as part of the second stage of the tender process and interrogation of the priced works packages by the EA team, ensuring that viability of the scheme is achieved, without compromising the quality of the design.</p> <p>All prices will be benchmarked by the Council's EA against BCIS information and other in-house information that they hold on similar projects.</p> <p>The EA and QS team will interrogate the prices received and where necessary ask for the contractor to justify anything that appears inflated. Since the work packages will be priced on an open book basis as part of the second stage of the tender process, it will be possible to examine the entire measured works thoroughly and, subject to their approval, move the project to site more quickly after the tender period has concluded.</p> <p>A quality question was included in the tender pack relating to innovation, to enable the bidding contractors to suggest cost savings which the Project team will review and decide whether or not to accept as part of the second stage of the procurement.</p>
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Tenders returned under budget and contractor attempting to offload risk onto the Council	L	H	H	<p>The scheme has been designed to RIBA Stage 3+ and the associated drawings formed part of the contract documentation. The requirements of the contractor have been clearly set out and make it difficult for the contractor to avoid taking on any of the risk elements. The responsibility of the contractor to obtain approval from Building Control in relation to elements relating to fire risk and of building compliance with the relevant approvals will be scrutinised.</p> <p>All prices will be benchmarked by the Council's EA and QS against BCIS information and other in-house information that they hold on similar projects.</p>
Contractor goes into liquidation during construction phase	L	H	M	<p>The framework provider carries out financial checks prior to allowing the contractor to become a member. Updated information will be requested as part of the procurement process which will also be scrutinised by Hackney's Finance Team.</p> <p>The Council and the contractor will enter into a performance bond which will pay out up to 10% of the Contract Sum if the contractor becomes insolvent. In addition, the contractor will be required to provide a parent company guarantee which offers security in the event of a default on a contract by a contractor that is controlled by a parent company (or holding company). Typically, such a default might be caused by the insolvency of the contractor. The NHBC defects warranty has insolvency</p>

				provisions up to 10% of the Contract Sum.
Quality of scheme does not meet expectations	L	H	L	<p>The detailed tender documentation – the drawings, specifications and ERs (developed with the input of Housing Services) provide a robust framework to ensure that the proposals are delivered as designed and specified.</p> <p>There is the potential for the existing architects to have ongoing involvement in the scheme as a client-side advisor.</p> <p>The Council has appointed an EA team, including Clerk of Works services, from the Fusion 21 Framework. The EA Scope of Services clearly communicates the Council's aspirations for achieving high quality new schemes, with a rigorous monitoring role to be undertaken in order to deliver quality and minimise defects.</p> <p>The scope also requires that the EA provide specialist Clerks of Works for Landscaping and Mechanical and Electrical Packages, areas which tend to be most vulnerable to poor quality delivery.</p> <p>The JCT D&amp;B Contract 2016 contains standard clauses which provide the Employer with remedies if work or workmanship is not in accordance with the Contract.</p>

## **11. COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES**

- 11.1 The report recommends awarding the contract for pre-construction services to bidder B, who had the highest score overall.
- 11.2 The price element of the scoring was based on the required prelims, overheads and profit percentages against the net construction costs, using the Employer's Agents cost plan as a base. Bidder B submitted the mid priced bid of the five received, but had a superior quality score compared to the others.
- 11.3 Rapid cost inflation is currently being experienced within the construction market and is likely to continue during the PCSA period. We will need to work closely with the successful bidder to try and bring down costs where possible, utilising their experience and expertise to ensure the project is at an acceptable viability position before proceeding further. All options should be considered, including re-design of areas of high spend.
- 11.4 Another internal Gateway review will be held after the PCSA period has concluded, where Finance approval will be required before entering into the JCT contract.
- 11.5 The PCSA sum charged by bidder B seems reasonable at around 2% of total estimated works costs. This is in line with previous contracts that have gone through a similar process. This cost is at risk and will be payable even if we do not proceed past the PCSA period, however it will result in a RIBA stage 4 design, which LBH will own.

## **12. COMMENTS OF THE DIRECTOR OF LEGAL, DEMOCRATIC AND ELECTORAL SERVICES**

- 12.1 On 19 July 2021 Cabinet Procurement and Insourcing Committee agreed to delegate the approval of the Contract Award for this matter to the Group Director, Chief Executive's Directorate. Following reorganisation of the Council's senior leadership structure the relevant decision making powers now sit with the Group Director, Climate, Homes and Economy. Therefore this Delegated Powers Report is presented to the Group Director for approval.
- 12.2 Details of the procurement process undertaken by the Council to make the recommendation to award the works contract are set out in this Report.



### **13. COMMENTS OF THE PROCUREMENT CATEGORY LEAD**

- 13.1 The Colville Estate Phase 2C procurement exercise has followed the approved recommendations set out in the Cabinet Procurement and Insourcing Committee's (CPIC) approved report of 19 July 2021. The approval was to commence the procurement under a two stage tender process of a single contractor for Phase 2C of the Colville Estate redevelopment by calling-off a compliant framework. This has been achieved.
- 13.2 The second stage tender would follow agreement under the terms declared as part of the first stage tender. It is important to ensure those conditions are clear, compliant and followed.
- 13.3 It is the considered opinion of the Procurement team that this exercise followed a compliant process and has resulted in the Most Economically Advantageous Tender recommendation that meets the CPIC approved business case.

### **APPENDICES**

**Exempt Appendix 1 - Colville Estate Phase 2C Tender Report**

**Exempt Appendix 2 - Colville Estate Phase 2C PCSA Contract**

### **EXEMPT**

By Virtue of Paragraph(s) 3 Part 1 of schedule 12A of the Local Government Act 1972 the appendices are exempt because it contains Information relating to the financial or business affairs of any particular person (including the authority holding the information) and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

### **BACKGROUND PAPERS**

None.

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## **AUTHORISATION OF GROUP DIRECTOR, CLIMATE, HOMES AND ECONOMY**

**Name: Rickardo Hyatt, Group Director, Climate, Homes and Economy**

**Signature:** 

**Date: 26.08.2022**